**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001**

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POSTAL RATE AND FEE CHANGES, 1997)   **Docket No. R97-1**
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NATIONAL NEWSPAPER ASSOCIATION'S INTERROGATORIES
TO NEWSPAPER ASSOCIATION OF AMERICA WITNESS SHARON L. CHOWN
(NNA/NAA-1-6)

Pursuant to rules 25 and 26 of the Rules of Practice and Procedure and rule 2 of the Special Rules of Practice, the NNA directs the following interrogatories to NAA witness Sharon L. Chown: NNA/NAA-1-6.

(1) Please examine Footnote 1 on page 2 of your testimony where it is stated...."(i)nstitutional costs incurred to provide a particular function should be paid by the subclasses of mail that use that function." Do you consider these "institutional costs" to be service-related costs? If not, please explain the difference between your metric and service-related costs.

(2) Please state whether you consider weighted attributable costs to be a part of the "direct and indirect postal costs attributable" to a mail class that the Commission is required to consider under 39 U.S.C. § 3622(b)(3). Please explain your answer fully.

(3) If your answer to Interrogatory No. 2 is *yes*, please state whether you believe a failure to consider weighted attributable costs as the basis for a markup could lead the Commission to approving below-cost rates for a subclass with a small markup.

(4) If your answer to Interrogatory No. 3 is *yes*, please state whether you are recommending that weighted attributable costs as you define them should be considered incremental costs by the Commission.
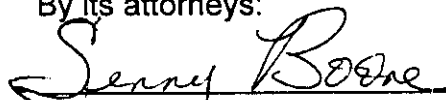
(5) Please examine the chart attached to this interrogatory and labeled "Table 1. Comparison of Attributable Cost and Weighted Attributable Cost." Please confirm that the markup proposed in your testimony would result in an increase in institutional costs for within-county mail from $2.385 million to $3.666 million. If you do not confirm, please explain why and provide the percentage increase in markup that you are proposing for within-county and regular rate periodicals.

(6) For the purpose of this interrogatory, please assume: (1) a law requires that the markup on Class B be equal to one half of the markup on Class A; (2) Class A's markup, stated as a percentage of attributable costs, is 10 percent; and, (3) Class A's markup, stated as a percentage of weighted attributable costs, is 6 percent. What should be the markup on Class B? Please state the markup as a percentage of attributable cost or as a percentage of weighted attributable cost and explain your answer.

Respectfully submitted,

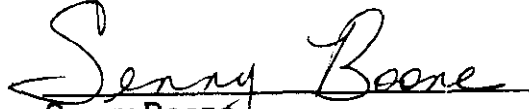NATIONAL NEWSPAPER ASSOCIATION

By its attorneys:

Senny Boone
Tonda Rush

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

January 28, 1998

Senny Boone

Table 1. Comparison of Attributable Cost and Weighted Attributable Cost
(Dollars in Thousands)

| | USPS Markups Based Upon Attributable Costs | | | Chown Method | | | | | |
| | | | | USPS Markups Based Upon Weighted Costs | | | Institutional Cost Based Upon USPS Markup | | |
Class & Subclass	Attributable Cost[1]	Institutional Cost[2]	Markup	Weighted Attributable Cost[3]	Institutional Cost[2]	Markup	Weighted Attributable Cost[3]	Institutional Cost	Markup
First-Class Mail									
Single Letters	$12,758,664	$9,390,095	73.6%	$11,888,345	$9,390,095	79.0%	$11,888,345	$8,749,559	73.6%
Worksharing Letters	4,047,084	7,418,926	183.3%	4,566,704	7,418,926	162.5%	4,566,704	8,371,469	183.3%
Total Letters	16,805,748	16,809,021	100.0%	16,455,049	16,809,021	102.2%	16,455,049	16,458,254	100.0%
Single Postcards	432,261	228,751	52.9%	500,482	228,751	45.7%	500,482	264,853	52.9%
Worksharing Postcards	160,123	267,843	167.3%	196,045	267,843	136.6%	196,045	327,931	167.3%
Total Cards	592,384	496,594	83.8%	696,527	496,594	71.3%	696,527	583,897	83.8%
Total	17,398,132	17,305,615	99.5%	17,151,576	17,305,615	100.9%	17,151,576	17,060,370	99.5%
Priority Mail	2,266,217	2,086,476	92.1%	1,343,833	2,086,476	155.3%	1,343,833	1,237,249	92.1%
Express Mail	410,564	430,652	104.9%	433,188	430,652	99.4%	433,188	454,383	104.9%
Mailgrams	508	4,168	820.5%	846	4,168	492.7%	846	6,941	820.5%
	1.0163								
Periodicals									
In County	81,360	2,305	2.8%	129,401	2,305	1.8%	129,401	3,666	2.8%
Nonprofit	331,471	11,160	3.4%	366,816	11,160	3.0%	366,816	12,350	3.4%
Classroom	12,755	-2,215	-17.4%	11,736	-2,215	-18.9%	11,736	-2,038	-17.4%
Regular-Rate	1,577,889	111,057	7.0%	1,567,121	111,057	7.1%	1,567,121	110,299	7.0%
Total	2,003,475	122,307	6.1%	2,075,074	122,307	5.9%	2,075,074	126,678	6.1%
Standard Mail A									
Single Piece	-298	298	-100.0%	0	298	N.A.	0	0	-100.0%
Commercial Regular	5,191,674	2,830,371	54.5%	5,754,017	2,830,371	49.2%	5,754,017	3,136,946	54.5%
Commercial ECR	1,885,248	2,418,756	128.3%	3,111,033	2,418,756	77.7%	3,111,033	3,991,427	128.3%
Total Commercial	7,076,624	5,249,425	74.2%	8,865,050	5,249,425	59.2%	8,865,050	6,576,076	74.2%
Nonprofit	1,107,105	244,328	22.1%	1,207,983	244,328	20.2%	1,207,983	266,918	22.1%
Nonprofit ECR	125,121	76,287	61.0%	185,779	76,287	41.1%	185,779	113,196	60.9%
Total Nonprofit	1,232,226	320,615	26.0%	1,393,762	320,615	23.0%	1,393,762	362,645	26.0%
Total Standard Mail A	8,308,850	5,570,040	67.0%	10,258,813	5,570,040	54.3%	10,258,813	6,877,245	67.0%
Standard Mail B									
Parcel Post	753,327	29,589	3.9%	531,757	29,589	5.6%	531,757	20,886	3.9%
Bound Printed Matter	346,013	178,595	51.6%	352,471	178,595	50.7%	352,471	181,928	51.6%
Special Rate	256,860	95,470	37.2%	221,143	95,470	43.2%	221,143	82,195	37.2%
Library Rate	49,085	3,342	6.8%	37,623	3,342	8.9%	37,623	2,562	6.8%
Total	1,405,285	306,996	21.8%	1,142,993	306,996	26.9%	1,142,993	249,696	21.8%
Free-for-the-Blind. etc.	31,757	-31,757	-100.0%	27,521	-31,757	-115.4%	27,521	-27,521	-100.0%
International Mail	1,206,030	437,814	36.3%	582,742	437,814	75.1%	582,742	211,547	36.3%
Special Services	1,284,854	764,752	59.5%	1,299,087	764,752	58.9%	1,299,087	773,224	59.5%
Total Cost	**34,315,672**	**26,997,063**	**78.7%**	**34,315,672**	**26,997,063**	**78.7%**	**34,315,672**	**26,969,813**	**78.6%**

[1]NAA-1A at 5

[2]NAA-1E

[3]NAA-1D